

Yarra Global Share Fund

Net returns as at 30 September 2024

	1 month %	3 months %	6 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception* % p.a.
Yarra Global Share Fund#	0.39	2.93	3.53	26.15	7.36	12.30	13.48	8.69
MSCI All Countries World Index [^]	0.07	2.63	3.14	22.57	9.54	11.55	12.10	7.69
Excess Return [‡]	0.31	0.30	0.39	3.58	-2.19	0.76	1.38	1.01

Past performance is not a reliable indicator of future performance. Taxes payable by investors have not been taken into account. The figures shown have been provided for illustrative purposes – they are unaudited and subject to change. The total returns shown are prepared on an exit to exit basis – they include all ongoing fees and expenses and assume reinvestment of all distributions.

* Inception date of Yarra Global Share Fund: November 1995.

Effective 20 March 2023, the Fund was renamed from the Nikko AM Global Share Fund to the Yarra Global Share Fund. There was no change to the Fund's investment team, philosophy or process. The Fund gains exposure to global equities by investing in the Nikko AM Global Equity Fund (Underlying Fund) (a sub-fund of the Nikko AM Global Umbrella Fund which is an open ended investment company registered under Luxembourg law as a société d'investissement, a capital variable).

[^] Benchmark: MSCI All Countries World Index (with net dividends reinvested) expressed in Australian Dollars (unhedged).

[‡] Excess return: The excess return figures shown represent the difference between the Fund's return and the benchmark.

Portfolio review

The Fund returned 0.39% (after fees) in September, to outperform the Index return of 0.07% by 31 basis points (bps). Over the longer term (10 years), the Fund's return of 13.48% per annum (p.a.) is 138 bps p.a. ahead of the Index return of 12.10% p.a.

Key contributors to relative performance:

- **Meta Platforms** shares surged following positive announcements about its advancements in artificial intelligence and virtual reality technologies. The company unveiled new AI-driven features for its platforms, such as voice-activated chatbots with celebrity voices and improved photo editing capabilities, which excited investors about its long-term growth potential. Meta also benefited from a more positive outlook on the AI cohort after a mid-year correction.
- **Hitachi's** share price was driven up by strong financial results and strategic initiatives. The company reported robust earnings growth, supported by increased demand for its digital solutions and infrastructure projects. Hitachi emphasized the integration of its digital capabilities with existing businesses, particularly in healthcare and nanotechnology, which includes leveraging its Lumada platform to provide advanced digital solutions. Additionally, Hitachi's focus on expanding its renewable energy and smart city solutions has positioned it well in the market.
- **Masimo Corporation** shares climbed higher on a strong Q2 2024 earnings report and raised guidance for the year. The company achieved 22% growth in healthcare revenue year-over-year and secured record-breaking levels of new hospital contracts. The strengthening of the board with the exit of founder Joe Kiani and focus on improved governance was also taken well by the market.

- **Booking Holdings** shares traded higher, bolstered by a rebound in travel demand and favourable industry trends. The company reported higher-than-expected bookings and revenue, driven by increased travel activity and successful marketing campaigns. Booking's strategic focus on expanding its offerings and improving customer experience also played a key role in its outperformance. The shares got an added boost towards the end of the month after Chinese authorities announced an additional stimulus package.
- **Amadeus IT Group SA** shares climbed following strong financial results for the first half of 2024. The company reported double-digit growth in revenue and EBITDA, driven by a recovery in the travel industry and increased adoption of its technology solutions by airlines and travel agencies. Strategic partnerships and new product launches also contributed to its strong performance. For example, Amadeus entered into a strategic NDC (New Distribution Capability) partnership with IndiGo, India's leading airline, which aims to provide travel sellers in India and globally access to IndiGo's NDC content via the Amadeus Travel Platform.

Key detractors from relative performance:

- **Elevance Health** shares were weaker and this can be attributed to a couple of factors. Firstly, the narrowing of the opinion polls, predicting the outcome of the upcoming US Presidential election. With the Democrats polling better following the replacement of President Biden with Kamala Harris (and after this month's TV debate between Harris and Donald Trump), this raised investor concerns over political interference in the US Government's Healthcare Insurance programs. Secondly, the fall observed in bond yields could reduce the level of investment income enjoyed by the insurers.

- Given the strength in stock markets and tilt towards risk, it is not surprising that **Cencora** shares struggled to perform. The pricing power enjoyed by drug distributors made them major beneficiaries of the need for investors to inflation-proof their portfolios. With inflation moderating, however, and a couple of short-term headwinds emerging (as highlighted by the management teams of both McKesson and Cencora at investor conferences early in the month), this relative safety has been less in demand in September. Both management teams confidently reiterated their longer-term growth projections, however.
- **SLB** (formerly Schlumberger) shares underperformed due to a combination of reduced funding in the oilfield services sector and a cautious outlook for the industry's performance in 2024. These factors led to investor concerns about the company's growth trajectory and profitability and despite the Chinese stimulus package, investors remain cautious on the Energy patch.
- **Amphenol Corporation's** stock lagged behind the Index, despite reporting record sales and earnings for the second quarter of 2024. The market reacted negatively to concerns about supply chain disruptions and potential impacts on future growth and the shares gave up some of its strong year to date performance. Amphenol Corporation is a producer of electronic and fiber optic connectors, cable and interconnect systems such as coaxial cables.
- **Intercontinental Exchange, Inc.** (ICE) shares underperformed the broader market. While ICE is considered a defensive growth story, it also has some exposure to interest rates through its mortgage business, which should perform well as interest rates decline.

Market review

The Japanese word momijigari, or "autumn-leaves hunting," can translate literally to "maple-leaves hunting." It refers to the activity of viewing the changing colours while strolling around fields through the crisp northern hemisphere autumn air. Given the topography of Japan, it's normally best later in the year, however in other parts of the world, such as New England in the United States, so-called 'leaf peeping' starts in September.

There is indecision about the season that follows summer. The plants all die, or seem to, but at the same time are at their most magnificent. While people in the northern hemisphere are sad for their summer holidays to end, many are also glad to see their children trot off to school again. While this strange time is known as either Autumn or Fall, stock markets have been anything but indecisive – and 'fall' they did not. One thing that did fall was interest rates, with the US Federal Reserve kickstarting a new interest rate cutting cycle with a 50 basis point move in September.

With the unemployment rate having drifted up from a low of 3.4% in April 2023 to above 4%, Fed officials have now made it clear that further weakening in the economy is not welcome. After months of being in the wilderness, Hong Kong drove share markets, rising over 15% in September after Chinese

policymakers announced a raft of new stimulus measures. While not new or at record levels, this was enough for a significant reversal in fortunes. Other Asian indices also performed strongly, gaining over 5% in the month while in sympathy, Australia posted a credible 3% gain. US markets were broadly in line, while the UK, Japan and Europe all underperformed, with Japan performing the worst, gaining a little less than 2%.

With inflation cooling and activity relatively muted, other western central banks also deemed it appropriate to cut rates. The European Central Bank delivered its second rate cut in September taking interest rates to 3.5%, following the footsteps of the Bank of England the month before.

Unsurprisingly interest rate and Chinese sensitive sectors performed well over the month. This was most evident in the consumer discretionary sector rising over 5%, with utilities, materials and communication services also posting over 3% gains. Information technology slightly underperformed markets, with none of the usual AI-exposed names being highlighted in this months or quarter's winners or losers.

The energy sector once again underperformed markets, with falling commodity prices dragging down the sector. Healthcare also underperformed, falling 4.3%.

Top 10 holdings (underlying Fund)

	Portfolio %	Benchmark %	Country
Microsoft Corp	6.02	3.88	United States
NVIDIA Corp	5.75	3.82	United States
Amazon.com	4.41	2.23	United States
Meta Platforms	4.08	1.60	United States
Haleon PLC	3.10	0.05	United Kingdom
Netflix, Inc.	2.92	0.39	United States
Coca-Cola Company	2.84	0.38	United States
Intercontinental Exchange, Inc.	2.74	0.12	United States
Compass Group PLC	2.72	0.07	United Kingdom
Elevance Health, Inc.	2.69	0.15	United States

Portfolio holdings may not be representative of current or future investments. The securities discussed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not be profitable.

Country / regional exposure

	Fund %	Benchmark %
United States	69.75	64.24
Japan	6.02	5.01
China	0.00	2.95
United Kingdom	7.10	3.31
Canada	0.00	2.75
Europe ex UK	5.30	11.37
Asia Pacific ex China & Japan	9.79	8.14
Emerging Europe, Middle East, Africa	0.00	1.44
Latin America	0.00	0.80
Cash	2.04	0.00

Sector exposure

	Fund %	Benchmark %
Communication Services	7.00	7.75
Consumer Discretionary	16.53	10.65
Consumer Staples	7.23	6.36
Energy	1.46	4.00
Financials	15.28	16.22
Health Care	14.25	10.85
Industrials	12.23	10.64
Information Technology	21.51	24.51
Materials	2.48	4.07
Real Estate	0.00	2.24
Utilities	0.00	2.72
Cash	2.04	0.00

Income and growth

	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
Growth return	26.15	7.36	12.30	13.00
Distribution return	0.00	0.00	0.00	0.48

Fund growth return is the change in redemption prices over the period. Fund distribution return equals total Fund return minus Fund growth total return. Total Fund returns are post fees, pre tax using redemption prices and assume reinvestment of distributions.

Features

Investment objective	The Fund aims to achieve capital growth over the long term, with total returns (before fees) 3% above the MSCI All Countries World ex-Australia Index (with net dividends re-invested) expressed in Australian Dollars (unhedged) over rolling three-year periods.	
Recommended investment time frame	5+ years	
Fund inception	November 1995	
Fund size	A\$303 mn as at 30 September 2024	
APIR code	SUN0031AU	
Estimated management cost	0.99% p.a.	
Buy/sell spread	+/- 0.15%	
Platform availability	AMP North Asgard BT Panorama Hub24 IOOF Wrap	Macquarie Wrap MLC Navigator Netwealth Praemium

Applications and contacts

Investment into the Yarra Global Share Fund can be made by Australian resident investors only.

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